

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15

SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 PA-02 PRS-01

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P 012328Z MAR 76

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC PRIORITY 609

UNCLAS GUATEMALA 1761

E.O. 11652: N/A

TAGS: ENRG, GT

SUBJECT: GUATEMALA MOVES AN INCH AHEAD ON PETROLEUM EXPLORATION

REF: 75 SUATEMALA 7040

SUMMARY: GOG HAS SPECIFIED FIVE SMALL AREAS FOR CONSIDERATION FOR OIL EXPLORATION, BUT HAS INDICATED THEY ARE TO BE REVIEWED. MODEL CONTRACT NOT YET PUBLISHED. PROCESS LAID OUT FOR SUBMISSION CONTRACT OFFERS WHICH VERY COMPLICATED AND DEMANDING. INITIATION OF NEW EXPLORATION NOW LOOKS FARTHER OFF THAN EVER. END SUMMARY.

1. IN FIRST OFFICIAL MOVE TO IMPLEMENT NEW PETROLEUM REGIME (REFTEL), GOG PUBLISHED IN OFFICIAL GAZETTE FEBRUARY 24 AN "ACUERDO" DESIGNATING FIVE BLOCKS IN ALTA VERAPAZ, ISABAL AND PETEN DEPARTMENTS FOR CONSIDERATION FOR OIL EXPLORATION. REACH IS UNDER NEW MAXIMUM OF 200,000 HECTARES. REST OF EXPLORATION AREA IN PETEN, ELSEWHERE (WHERE PREVIOUSLY THERE WERE 14 LARGER BLOCKS) TO BE EXCLUDED FOR A YEAR.

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2. THREE OF THE FIVE BLOCKS FILL REGION BETWEEN SHENAN-

DOAH'S IN ALTA VERAPAZ AND CENTRAM-ZAMORA'S IN IZABAL (OFF-SHORE AND ON). THIS REGION INCLUDES OLD BLOCK NO. 10 WHICH HAD ATTRACTED 12 APPLICANTS, BY FAR LARGEST NUMBER OF ALL BLOCKS ON MAP OF EXPLORATION AREA NOW SCRAPPED.

3. REMAINING TWO NEW BLOCKS LIE IN NORTHWEST CORNER OF PETEN, DIVIDING EQUALLY IN TWO OLD BLOCK NO. 1, ACROSS BORDER FROM ESTABLISHED OIL RESERVES IN MEXICO.

4. ACUERDO INVITES SUGGESTIONS AND OBSERVATIONS FROM INTERESTED PARTIES, TO BE SUBMITTED TO DIRECCION GENERAL DE MINERIA E HIDROCARBUROS WITHIN 15 DAYS (BY MARCH 10). DEFINITION OF AREAS WILL THEN BE REVIEWED WITHIN GOG. WHEN APPROVED BY PRESIDENT AND COUNCIL OF STATE, ANOTHER ACUERDO WILL BE PUBLISHED.

5. DRAFT MODEL CONTRACT NOT YET PUBLISHED. ON FEBRUARY 23 OFFICIAL GAZETTE RAN LONG, INVOLVED LISTING OF "NORMAS PARA LA CONVOCATORIA Y AJUDICACION DE AREAS" FOR EXPLORATION CONTRACTS. THIS INDICATES, AMONG OTHER THINGS, DRAFT CONTRACT WILL BE PUBLISHED AND UNDERGO PROCESS SIMILAR TO NEW MAP OF EXPLORATION AREAS.

6. AFTER FINAL ACUERDO PUBLISHED ON BOTH MAP AND CONTRACT, EDICT WILL BE ISSUED INVITING OIL FIRMS TO OFFER CONTRACTS TO EXPLORE/DEVELOP OIL. REQUIREMENTS MADE OF ASPIRANT CONTRACTORS VERY STIFF. BARGAINING APPARENTLY NOT TO BE ALLOWED. FINAL OFFER BY COMPANIES TO BE MADE WITHOUT CONTAINING "ALTERNATIVES". CONTRACT OFFERS TO BE CONSIDERED BY INTER-MINISTERIAL COMITE DE CALIFICACION. BEST CONTRACT OFFERED IN EACH AREA WILL BE SIGNED BY MINISTER OF ECONOMY AND THEN SUBMITTED TO PRESIDENT AND COUNCIL OF STATE FOR FINAL APPROVAL, FOLLOWING WHICH IT WILL BE PUBLISHED IN OFFICIAL GAZETTE.

7. FOREGOING SCENARIO WILL DELAY INITIATION OF EXPLORATION FOR LONG TIME IF IT DOESN'T DISCOURAGE IT ALTOGETHER. GOG CLEARLY NOW CONCERNED MORE ABOUT INSURING THAT PROCESS OF SELECTION OF CONTRACTOR WILL BE CLOSELY REGULATED, KEPT ENTIRELY ABOVE-BOARD, AND IMMUNE

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FROM SUBSEQUENT CRITICISM OF GOVERNMENT. REQUIREMENTS IN CONTRACTING PROCESS ADDED ON TO DISADVANTAGEOUS FEATURES OF LAW ITSELF COULD RESULT IN FURTHER EROSION OF INTEREST ON PART OF FOREIGN COMPANIES IN EXPLORATION HERE.

8. NEW MAP OF EXPLORATION AREA AND RELATED MATERIAL BEING POUCHED.
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